

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Minneapolis Resident Investigative Office
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June 12, 2007

LM File Number 511-698
Case Number: [REDACTED]

Ms. Jane Nygaard, President
AFGE Local 3669
1 Veterans Drive, 4H 108
Minneapolis, MN 55417

Dear Ms. Nygaard:

This office has recently completed an audit of AFGE Local 3669 under the Compliance Audit Program (CAP) to determine your organization's compliance with the Standards of Conduct provisions of the CSRA, including those provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA) incorporated in the Standards. As discussed during the exit interview with Treasurer Karen Rafter and you on May 2, 2007, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 of the LMRDA and Title 29 of the Code of Federal Regulations (C.F.R.) Section 403.7 require, among other things, that labor organizations maintain adequate records for at least five years after reports are filed by which the information on the reports can be verified, explained and clarified. Pursuant to 29 C.F.R. Section 458.3, this recordkeeping provision of the LMRDA applies to labor organizations subject to the requirements of the Civil Service Reform Act of 1978 (CSRA) as well. Therefore, as a general rule, labor organization must retain all records used or received in the course of union business.

For disbursements, this includes not only original bills, invoices, receipts, vouchers, and applicable resolutions, but also documentation showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipient(s) of the goods or services. In most instances, this documentation requirement can be satisfied with a sufficiently descriptive expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a union officer or employee should

write a note on it providing the additional information. For money it receives, the labor organization must keep at least one record showing the date, amount, purpose, and source of that money. The labor organization must also retain bank records for all accounts.

The audit of Local 3669's 2006 records revealed the following recordkeeping violations:

1. General Expenses

Local 3669 did not retain adequate documentation for expenses incurred by union officers totaling at least \$3,988. For example, no receipt or other supporting documentation was maintained for a purchase of \$99.88 at Cecil's for the member party. Other purchases for which no supporting documentation was retained include Executive Board meeting meals, postage, and convention registration.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

Local 3669 records of meal expenses incurred by officers and stewards did not include the names and titles of the persons incurring the restaurant charges. For example, check number [REDACTED] dated September 7, 2005, to Ming's Palace for \$40, is for a meal for an Executive Board meeting. The voucher does not identify the names of those present for the meal. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Failure to Maintain Voided Checks

Local 3669 did not keep voided checks during the audit period. The audit revealed that check numbers [REDACTED] were voided in Local 3669's records and never cleared the bank. As previously noted above, 29 C.F.R. Section 403.7 requires that all records be maintained for at least five years.

Based on your assurance that Local 3669 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

Pursuant to 29 C.F.R., Section 458.3, the reporting requirement under 29 C.F.R. Section 403.2 (see Section 201(b) of the Labor-Management Reporting and Disclosure Act (LMRDA)) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file annual financial reports that accurately disclose their financial condition and operations. The audit disclosed a violation of this requirement. The Labor Organization Annual Report (Form LM-2) filed by Local 3669 fiscal year ending June 30, 2006, was deficient in the following areas:

1. Schedule 11 (All Officers and Disbursements to Officers)

Local 3669 failed to include all officers in Schedule 11. Sergeant at Arms William McAmis and Reporting Secretary Susan Behr were not included in Schedule 11. All officers, regardless of whether or not they receive any payments from the local, are to be reported in Schedule 11.

Additionally, Local 3669 did not include some payments to officers in Schedule 11 (All Officers and Disbursements to Officers). As an example, Local 3669 did not include the amounts for monthly Executive Committee meeting meals in the amounts reported in Schedule 11, Column F (Disbursements for Official Business). This disbursement, whether direct or indirect, must be reported in Column F of Schedule 11.

The union must report in Column F of Schedule 11 direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedule 11

indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedule 11 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

2. Schedule 12, Column F (Disbursements to Employees, Disbursements for Official Businesses)

Local 3669 did not include meals for stewards at training meetings in Schedule 12. Similar to meals for officers at Executive Committee meetings, Local 3669 must report direct and indirect disbursements for meal expenses for employees in Schedule 12, Column F. The disbursements may be allocated among the employees.

I am not requiring that Local 3669 file an amended LM report for 2006 to correct the deficient items, but Local 3669 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following additional violation:

Inadequate Bonding

Pursuant to 29 C.F.R. Section 458.35, officers and employees of any labor organization subject to the CSRA are required to be bonded in accordance with Section 502(a) of the LMRDA. This provision requires that union officers and employees be bonded for no less than 10% of the total funds those individuals or their predecessors handled during the preceding fiscal year. Officers and employees of Local 3669 were only bonded for \$5,000; however, they needed to be bonded for at least \$56,580. However, Local 3669 obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.


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Other Issue

Vouchers do not clearly identify the payee of the checks issued to pay the expenses. Although the payees are identified in the union's Quicken file, the payees listed in the Quicken file sometimes conflict with the payees written on the receipts or vouchers. Related union records for a specific transaction should be consistent, and should not contain conflicting information. This provides a good internal control and ensures that records can be more easily audited or reviewed by union officials.

I want to extend my personal appreciation to AFGE Local 3669 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,


Investigator

cc: Karen Rafter, Treasurer